

EXECUTIVE SUMMARY



This Executive Summary has been prepared as a general overview to the 2005/06 budget for the City of Troy. It is hoped that it will provide City residents with a quick overview of the fiscal plans of the City Administration for the upcoming fiscal year.

The City Council will hold meetings throughout the months of April and May in order to review the proposed budget document. This Executive Summary will briefly introduce you to the City's budget. It will explain how the City plans to utilize its resources and will highlight some of the more significant changes to the City's budget. If a more in-depth understanding of the budget is desired, please take some time to review the wealth of information found within the graphs, charts, narrative text, significant notes, and funding level summaries located in the budget document. The document is available at the City Clerk's Office, Troy Public Library and on the City of Troy's website.

TOTAL CITY FUNDS

The 2005/06 budget for all City funds totals \$138.2 million. The City establishes a budget for twenty-two separate funds or accounting divisions. These twenty-two funds can be further paired into seven major fund groupings. The largest is the General Fund, which provides \$60.1 million in funding toward the majority of services available to city residents through the City's thirteen departments.

The Special Revenue Funds provide a total of \$10.4 million for major and local road maintenance; refuse and recycling; the federally funded Community Development Block Grant programs; and the Troy Community Fair Fund.

Several notable items in the Special Revenue Funds 2005/06 budget include:

- \$3.9 million to maintain and repair major roads
- \$1.6 million to maintain local roads
- \$4.5 million for refuse collection and disposal and recycling activities

The Capital Projects Funds total \$25.1 million for 2005/06. These funds are used for capital equipment and vehicles, the construction and improvement of municipal facilities, and for road construction. Notable Capital projects in the 2005/06 budget include:

- \$7.8 million major road construction and improvements
- \$2.8 million local road reconstruction and improvements
- \$0.6 million technology improvements and software
- \$2.3 million for storm drainage improvements
- \$1.5 million for park development
- \$1.0 million for sidewalk construction

The Debt Service Funds total \$3.1 million and provide funding for the debt payments on road construction projects, the Community Center, and public safety facilities.

The Enterprise Funds provide \$26.9 million in funding for water and sewer utility operations, as well as the aquatic center and golf courses.

The Internal Service Funds account for \$12.6 million in charges for the financing of goods and services provided by one department to other departments.

GENERAL FUND

The 2005/06 budget for the General Fund is \$60.1 million, an increase of \$1.0 million or 1.7 percent above the 2004/05 budget.

EXECUTIVE SUMMARY



-----Revenues by Category

The General Fund derives its revenue from a variety of sources. The largest source is from property taxes.

The City's general operating millage rate of 6.50 mills will provide nearly \$32.2 million, or 53.6 percent of the total General Fund budget.

The City's proposed overall millage rate of 9.45 has remained at the same rate for four years.

Proposal A has capped property taxable value at a 2.3 percent increase.

The General Fund also realizes revenue from a variety of smaller revenue categories to lessen the burden and reliance on property taxes; Licenses and Permits comprise 3.3 percent; Federal, State, and Local grants 11.4 percent; Fines and Forfeitures 1.7 percent; Charges for Services 9.9 percent; Interest and Rents 1.8 percent; and Other Revenue and Financing Sources 14.7 percent.

Utilization of \$1.3 million of Fund Balance is planned for fiscal year 2005/06. After this designation, the City is estimated to have \$9.2 million or 15.3 percent of expenditures in Unreserved/Undesignated funds in 2005/06.

-----Expenditures by Object

The \$60.1 million General Fund budget is comprised of five separate expenditure objects or categories. The largest is for Personal Services costs, which are made up of wages and fringe benefits and comprise 69.2 percent of the total budget.

Supplies made up primarily of operating supplies total 5.2 percent of the budget.

Other Services/Charges total 25.4 percent of the budget and are primarily used to provide for contractual services, property and liability insurances, utility bills, and outside legal services.

Departmental Capital Outlay totals \$17,000. Major Capital purchases are found in the Capital Projects Fund.

Other Financing Uses accounts for the transfer of \$10,000 to the Community Fair Fund and \$100,000 to the Budget Stabilization Fund.

	Dollar Change	% Change
Personal Services	\$862,780	2.1
Supplies	(9,550)	(.3)
Other Services/Charges	166,310	1.1
Capital Outlay	(115,400)	(87.2)
Other Financing Uses	100,000	1000.0
Total	\$1,004,140	1.7

The total \$1.0 million increase in General Fund expenditures can best be explained by the following illustration showing where the expenditure changes have occurred.

Personal Services increased by \$882,780 or 2.2 percent over last year's budget. Wages for all employees increased by \$317,780. Increased workers compensation and retirement expenses contributed to the overall increase.

The City will continue to pre-fund General and Police & Fire employee retirees' medical costs as a percent of payroll. An actuarial study has recommended that the City pre-fund these costs in order to offset large future liabilities. This funding is included in retirement line item.

The budget includes funding for 485 full-time positions. This reflects a decrease of three full-time employees, bringing a total reduction of eight full-time employees from two years ago.

EXECUTIVE SUMMARY



The total number of part-time employees has increased mainly due to taking over the Sanctuary Lake Golf Course maintenance function, as it is more cost effective to do so.

Supplies decreased by \$9,550 or .3 percent. Items such as office, operating supplies and repairs and maintenance are accounted for in this object.

Other Services/Charges increased by \$146,930 or .9 percent. The overall increase is primarily due to increases in public utilities, computer services and professional services.

Capital Outlay has decreased by \$115,400. We have instituted a new capitalization policy where items in excess of \$5,000 will be capitalized.

A complete list of all capital equipment, vehicles, and projects that are budgeted is located in the Capital Projects section of this document.

Other Financing Uses increased by \$100,000. This activity contains a transfer of \$10,000 to the Community Fair Fund and a \$100,000 transfer to our Budget Stabilization Fund, which will have a balance of \$1,100,000 after this transfer.

-----Expenditures by Budgetary Center

The City's General Fund can be further broken down to the departmental or budgetary center level. These budgetary centers comprise the nine City operating departments as well as other ancillary expenditure cost centers.

WATER AND SEWER FUND

The Water and Sewer Fund is a completely self-supporting activity that does not receive funding from property taxes or any other City Fund.

It is designed to break even, as well as provide funding for improvements to the system, and is expressly for the purpose of providing water distribution and sewer disposal services to the City of Troy's residents and businesses.

The City purchases its water and sewage disposal services from the City of Detroit, which directly influences the rates that we charge. The City of Detroit increased its water and sewer rates that it charges the City of Troy effective July 1, 2005.

The Detroit water rate will increase by 8.7 percent from \$13.61 to \$14.80 per thousand cubic feet. The Southeast Oakland County Sewer District rate will decrease by 2.4 percent from \$9.64 to \$9.41 per thousand cubic feet after including the Oakland County Drain Commission charges. The Evergreen-Farmington Sewer District rate will increase by .8 percent from \$11.90 to \$12.00.

The budget recommends that the combined water and sewer rates increase by \$3.44 per MCF. This rate increase will result in a 10.0 percent increase in the combined water and sewer rate per MCF.

The average residential customer uses 2.9 MCF per quarter, which would equate to a quarterly bill of \$109.74 using the proposed rates, equal to an increase of \$9.98 per quarter or \$39.92 per year.

The system is expected to operate in the coming year with operating revenues meeting operating expenses and providing some additional funds for improvements to the system. Capital expenditures being made in both systems total: water - \$4,090,000 and sewer - \$4,835,000.

The City continues to control its discretionary costs within this fund and provide the necessary equipment to properly maintain the system.